

Name

Employer identification number

Part I Capital Assets—Short-term capital gains and losses—Assets held 6 months or less

| a. Kind of property (if necessary, attach description) | b. Date acquired (mo., day, yr.) | c. Date sold (mo., day, yr.) | d. Gross sales price | e. Depreciation allowed (or allowable) | f. Cost or other basis and expense of sale | g. Gain or loss (d plus e less f) |
|---|----------------------------------|------------------------------|----------------------|--|--|-----------------------------------|
| 1 _____ | | | | | | |
| 2 Unused capital loss carryover (attach computation) | | | | | | |
| 3 Net short-term capital gain or (loss) (total of column g). Enter here and on line 8 | | | | | | |

Long-term capital gains and losses—Assets held more than 6 months (Use columns a through g except that columns a through k must be used for gains on assets whose F.M.V. on 12/31/58 exceeded the adjusted basis on that date.)

| 4 _____ | h. F.M.V. as of 12/31/58 | i. Adjusted basis as of 12/31/58 | j. Excess of column h over column i, if any | k. Gain (excess of column g over column j, but not less than zero) |
|---|--------------------------|----------------------------------|---|--|
| _____ | | | | |
| _____ | | | | |
| _____ | | | | |
| 5 Total of column g (where columns h through k are not required) | | | | |
| 6 Total of column k | | | | |
| 7 Net long-term capital gain or (loss) (total of lines 5 and 6). Enter here and on line 9 | | | | |

Part II Summary of Capital Gains and Losses

| | a. Loss | b. Gain |
|---|---------|---------|
| 8 Net short-term capital gain or (loss) from line 3 | | |
| 9 Net long-term capital gain or (loss) from line 7 | | |
| 10 Net short-term capital gain (line 8, column b) reduced by any net long-term capital loss (line 9, column a) (Enter here and on line 6, Schedule A, Form 1120L) | | |
| 11 Net long-term capital gain (line 9, column b) reduced by any net short-term capital loss (line 8, column a) (Enter here and on line 7, Schedule C, Form 1120L and on line 8, Schedule E, Form 1120L) | | |

Part III Alternative Tax Computation

| | |
|--|--|
| 12 (a) Taxable investment income (line 1(a), page 1, Form 1120L) | |
| (b) Less line 11 above | |
| 13 (a) Gain from operations (line 1(b), page 1, Form 1120L) | |
| (b) Less line 11 above | |
| 14 Enter the smaller of line 12 or line 13, but not less than zero | |
| 15 50% of the excess, if any, of line 13 over line 12 | |
| 16 Amount subtracted from policyholders' surplus account (line 3, page 1, Form 1120L) | |
| 17 Total of lines 14, 15, and 16 | |
| 18 Enter line 17 or \$25,000, whichever is lesser. (Component members of a controlled group: see instructions) | |
| 19 Line 17 less line 18 | |
| 20 Enter line 19 or \$25,000, whichever is lesser. (Component members of a controlled group: see instructions) | |
| 21 Line 19 less line 20 | |
| 22 20% of line 18 | |
| 23 22% of line 20 | |
| 24 48% of line 21 | |
| 25 Total of lines 22, 23, and 24 | |
| 26 30% of line 11 | |
| 27 Alternative tax—Add lines 25 and 26. If applicable, enter here and on line 13, page 1, Form 1120L and write "Alt" in the margin to the right of the entry | |

Part IV Ordinary Gains and Losses (Use columns a through g except that columns a through k must be used for gains on assets whose F.M.V. on 12/31/58 exceeded the adjusted basis on that date. Exclude any ordinary gain resulting from the sale of investment assets reported in column j, Part V and column p, Part VI. For investment assets, see instructions for Part I.)

| a. Kind of property (if necessary, attach description) | b. Date acquired (mo., day, yr.) | c. Date sold (mo., day, yr.) | d. Gross sales price | e. Depreciation allowed (or allowable) | f. Cost or other basis and expense of sale | g. Gain or loss (d plus e less f) |
|---|----------------------------------|---|----------------------|--|--|-----------------------------------|
| 28 | | | | | | |
| 29 Total of column g (where columns h through k are not required) | | | | | | |
| h. F.M.V. as of 12/31/58 | i. Adjusted basis as of 12/31/58 | j. Excess of column h over column i, if any | | k. Gain (excess of column g over column j, but not less than zero) | | |
| | | | | | | |
| 30 Total of column k | | | | | | |
| 31 Net ordinary gain or (loss) (total of lines 29 and 30). Enter here and include in total of line 11, Schedule E | | | | | | |

Part V Gain from Disposition of Depreciable Property and Certain Real Property Held More Than 6 Months—Section 1245 (Report gain from disposition of other depreciable real property in Part VI. For investment assets, see instructions for Part I.)

| a. Kind of property (if necessary, attach description) | b. Date acquired (mo., day, yr.) | c. Date sold (mo., day, yr.) | d. Gross sales price | e. Cost or other basis and expense of sale | |
|--|----------------------------------|------------------------------|---|--|--------------------------|
| 32 | | | | | |
| f. Total depreciation allowed (or allowable) | g. Adjusted basis (e less f) | h. Total gain (d less g) | i. Depreciation allowed (or allowable) after applicable date (see instructions) | j. Ordinary gain (lesser of h or i) | k. Other gain (h less j) |
| | | | | | |
| 33 Total ordinary gain. Enter here and on line 28, and identify as gain from line 33 | | | | | |
| 34 Total other gain. Enter here and on line 38, and identify as gain from Part V. (If this amount includes any gain from casualty or theft, see instructions.) | | | | | |

Part VI Gain from Disposition of Depreciable Real Property Held More than 6 Months—Section 1250 (If held 1 year or less, see instructions for columns i and j. For investment assets, see instructions for Part I.)

| a. Kind of property (if necessary, attach description) | b. Date acquired (mo., day, yr.) | c. Date sold (mo., day, yr.) | d. Gross sales price | e. Cost or other basis and expense of sale | |
|---|--------------------------------------|--------------------------------------|--|--|--|
| 35 | | | | | |
| f. Total depreciation allowed (or allowable) | g. Adjusted basis (e less f) | h. Total gain (d less g) | Additional depreciation (see instructions) | | k. Enter column h or column j, whichever is lesser |
| | | | i. After 12/31/63 and before 1/1/70 | j. After 12/31/69 | |
| | | | | | |
| l. Column k times applicable percentage (see instr.) | m. Enter excess, if any, of h over j | n. Enter i or m, whichever is lesser | o. Column n times applicable percentage (see instr.) | p. Ordinary gain (l plus o) | q. Other gain (h less p) |
| | | | | | |
| 36 Total ordinary gain. Enter here and on line 28, and identify as gain from line 36 | | | | | |
| 37 Total other gain. Enter here and on line 38, and identify as gain from Part VI. (If this amount includes any gain from casualty or theft, see instructions.) | | | | | |

Part VII Sale or Exchange of Property Used in Trade or Business and Involuntary Conversions—Section 1231

| a. Kind of property (if necessary, attach description) | b. Date acquired (mo., day, yr.) | c. Date sold (mo., day, yr.) | d. Gross sales price | e. Depreciation allowed (or allowable) | f. Cost or other basis and expense of sale | g. Gain or loss (d plus e less f) |
|---|----------------------------------|------------------------------|----------------------|--|--|-----------------------------------|
| 38 | | | | | | |
| 39 Total (If gain, enter on line 4; if loss, enter on line 28. Identify as gain or (loss) from Part VII.) | | | | | | |

Instructions

(References are to the Internal Revenue Code.)

Every sale or exchange of property must be reported in detail even though no gain or loss results.

In general, all or part of the gain on a disposition of property may be required to be reported as ordinary income under the provisions of sections 1245, 1250 (see Parts V and VI), 1251, and 1252. The remainder of the gain may or may not be subject to capital gain treatment depending on the circumstances.

Rules for Dispositions of Farm Property and Certain Involuntary Conversions

(1) Farm property.—Refer to sections 1251 and 1252 for the treatment of gains on disposition of certain farm property.

(2) Involuntary conversions.—

(a) If gains from involuntary conversions arising from casualty or theft of property used in a trade or business or of any capital asset held more than six months equal or exceed the losses, the gains and losses are to be entered in Part VII and treated as section 1231 gains and losses along with gains and losses on dispositions of other section 1231 property. If the losses from such involuntary conversions exceed the gains, the gains and losses are to be entered in Part IV and treated as ordinary gains and losses. This applies to both insured and uninsured property.

(b) Gains from such involuntary conversions of property which is also section 1245 or 1250 property must first be reported in Part V or Part VI to determine how much gain is ordinary income. Any remaining gain (line 34, Part V, or line 37, Part VI) is included in the separate computation described in the above paragraph.

PART I

Capital assets.—Each item of property held by a corporation (whether or not connected with its trade or business) is a capital asset except: (1) inventoriable assets or property held primarily for sale to customers; (2) depreciable or real property used in the trade or business; (for life insurance companies, this relates only to property used in carrying on an insurance business, e.g., home office building; branch offices; office equipment; etc. and excludes investment assets that produce interest, rents, dividends or royalties) (see section 817 (a)(2)); (3) certain copyrights, literary, musical, or artistic compositions, letters or memorandums, or similar property; (4) accounts or notes receivable acquired in the ordinary course of a trade or business for services rendered or from the sale of property described in (1) above; and (5) certain short-term Federal, State, and municipal obligations issued on or after March 1, 1941, on a discount basis.

Thus, the gains or losses from the sale or exchange of depreciable assets attributable to any trade or business (other than an insurance business) carried on by the life insurance company, such as renting various pieces of real estate or operating a radio station, a housing development, or a farm, will be treated as gains or losses from the sale or exchange of capital assets.

Exchange of "Like Kind" Property.—Although no gain or loss is recognized when property held for productive use in a trade or business or for investment (not including stock in trade or other

property held primarily for sale, nor stocks, bonds, notes, choses in action, certificates of trust or beneficial interest, or other securities or evidences of indebtedness or interest) is exchanged solely for property of a "like kind" to be held either for productive use in a trade or business or for investment, you must report the transaction in the appropriate part and identify the property disposed of in column (a). Enter the date of acquisition in column (b) and write the date of exchange in column (c). Write "like kind exchange" in column (d) and enter the adjusted basis in column (f). Enter zero in column (g). (See section 1031.)

Investment assets.—Gains or losses from the sale or exchange of investment assets are treated as gains or losses from the sale or exchange of capital assets. (See above.) All sales of investment assets subject to sections 1245 and 1250 should be reported in Parts V and VI respectively, regardless of the length of time held. If held 6 months or less, the other gain reported in column k, Part V and column q, Part VI, should be entered on line 1, Part I and identified as gain from Part V or Part VI. If held more than 6 months, the other gain reported in column k, Part V and column q, Part VI, should be entered on line 4, Part I, and identified as gain from Part V or Part VI. Any amount included in column j, Part V and column p, Part VI as ordinary income from the sale of investment assets should be included in line 7, Schedule A.

Column g.—Except where section 817 is applicable, the gain or loss is the result of column d plus column e, less column f. Where section 817 is applicable, complete columns a through f and attach a schedule showing the method of computing the gain reported in column g. See instructions for "Basis."

Columns h-k.—These columns are to be used only in the event of gains on disposition of property if the F.M.V. of such property held on December 31, 1958 exceeded the adjusted basis for determining gain as of such date.

Line 4.—(A) Cols. a-g: Enter the total of applicable items from Part VII and other long-term capital gains and losses (excluding the gains from those assets whose F.M.V. on 12/31/58 exceeded the adjusted basis on that date).

(B) Cols. a-k: Enter only the long-term capital gains of those assets whose F.M.V. on 12/31/58 exceeded the adjusted basis on that date.

Capital losses.—Capital losses are allowed only to the extent of capital gains. A net capital loss may be carried back three years and forward five as a short-term capital loss. However, the amount allowable as a capital loss carryback is subject to the limitations of section 1212(a)(1).

Under the provisions of section 6411, a quick refund of the tax overpayment created by the capital loss carryback may be obtained by filing Form 1139. If a net capital loss carryback creates an unused investment credit or an unused work incentive (WIN) credit in a preceding year, the unused credit may be carried back to the three preceding years (however, the WIN credit cannot be carried back to years beginning before 1972), and, under the provisions of section 6411, a quick refund of the tax overpayment may likewise be obtained by filing Form 1139.

Worthless securities.—Except for banks, if securities which are capital assets become wholly worthless during the taxable year, the loss is to be treated as a capital loss as of the last day of the taxable year.

Losses not allowable.—No loss is allowed for wash sales of stock or securities. (See section 1091.) No loss is allowed (distributions in liquidation excepted) on transactions between related persons. (See section 267.)

Long-term capital gains from regulated investment companies.—Include in income as a long-term capital gain the amount the corporation has been notified constitutes its share of the undistributed capital gains of a regulated investment company.

Short sales of capital assets.—See section 1233 for rules relating to certain short sales of stock or other securities and transactions in commodity futures.

Basis.—The "basis" for certain property is not subject to the same rule for reporting gains as for losses.

(a) Gain on property held on December 31, 1958.—Section 817(b)(1), in effect, limits the amount of gain that is to be recognized on the sale or other disposition of certain property held by the company on December 31, 1958. This is accomplished by treating the gain on the sale or other disposition of such property as an amount (but not less than zero) equal to the amount by which the gain (determined without regard to section 817(b)(1)) exceeds the difference between the fair market value on December 31, 1958, and the adjusted basis (as provided in section 1016(a)) for determining gain as of such date. This limitation on the amount of gain recognized applies only if (1) the property was held by a life insurance company on December 31, 1958; (2) the fair market value of the property on December 31, 1958, is greater than the adjusted basis for determining gain as of that date; and (3) the taxpayer has been a life insurance company at all times on and after December 31, 1958, until the date of sale or other disposition of the property.

(b) Certain substituted property acquired after December 31, 1958.—See section 817(b)(2)(A) through (E) for certain rules for such property.

Section 817(b)(3) provides that the term "property" (for purposes of (a) and (b), above) does not include insurance and annuity contracts (and contracts supplementary thereto) and property described in section 1221(1) (relating to stock in trade or inventory-type property).

(c) Property held on December 31, 1958, and certain substituted property acquired after December 31, 1958.—In determining loss for such property (described in (a) and (b), above) the basis is cost adjusted as provided by section 1016.

(d) Other property acquired after December 31, 1958.—Where property, other than property described in (b) above, was purchased after December 31, 1958, the basis is cost, adjusted as provided in section 1016. Where property was acquired by bequest, gift, involuntary conversion, or wash sale of stock, see sections 1014, 1015, 1033, and 1091, respectively.

(e) If a charitable contribution deduction is allowed by reason of the sale of property to a charitable organization, the adjusted basis for determining gain from the sale is an amount which is in the same ratio to the adjusted basis as the amount realized is to the fair market value of the property.

PART III

Alternative tax.—If the net long-term capital gain exceeds the net short-term capital loss, then, in place of the normal tax and surtax imposed upon taxable income, there is imposed an alternative tax (if the tax is less than the normal tax and surtax).

The alternative tax is the sum of (1) a partial tax computed at the normal tax and surtax rates on the taxable income determined by reducing the taxable investment income, and the gain from operations, by the amount of the excess of the net long-term capital gain over the net short-term capital loss, and (2) 30% of such excess.

PART IV

Ordinary gains and losses.—(For investment assets, see instructions for Part I.) Include gains and losses from disposition or involuntary conversion of land and depreciable property held six months or less and gains and losses from compulsory or involuntary conversion of capital assets held six months or less.

If after grouping all section 1231 transactions the losses exceed the gains, report the net loss in Part IV as an ordinary loss.

If losses from involuntary conversions arising from casualty or theft of property used in a trade or business (as defined in section 1231) or of any capital asset held more than six months exceed the gains, enter the gains and losses in Part IV as ordinary gains and losses.

PART V

Gain from disposition of depreciable property and certain real property held more than six months. (Section 1245).—(Report any gain from property held not more than six months in Part IV. For investment assets, see instructions for Part I.)

In general, when section 1245 property (as defined below) is disposed of, gain will be treated as ordinary income to the extent of depreciation allowed (or allowable) after 1961. Except for certain involuntary conversions referred to in section 1231, the balance of the gain, if any, is to be combined in Part VII with gains and losses from section 1231 property.

Section 1245 property is property which is depreciable (or subject to amortization under section 169 or section 185) and is either—

- (a) personal property,
- (b) elevators and escalators,
- (c) real property (other than property described in (d)) subject to amortization under section 169, 185, or 188, or
- (d) tangible real property (except buildings and their structural components) if used as an integral part of certain business activities or as a facility for research or as a facility for the bulk storage of fungible commodities (including commodities in a liquid or gaseous state) in connection with such activities. These business activities are manufacturing, production, extraction, or furnishing transportation, communications or certain other public utility services.

See section 1245(b) for exceptions and limitations involving: (a) disposition by gift, (b) certain tax-free transactions, (c) like kind exchanges, involuntary conversions, (d) sales or exchanges to effectuate FCC policies and exchanges to comply with SEC orders, and (e) transfers to tax-exempt organization where property will be used in an unrelated business.

Column i.—Enter depreciation allowed (or allowable) after December 31, 1961. However, use June 30, 1963 for elevators and escalators and December 31, 1969 for livestock.

PART VI

Gain from disposition of depreciable real property held more than six months. (Section 1250).—(Report any gain from such property held not more than six months in Part IV. For investment assets, see instructions in Part I.)

In general, when section 1250 property (as defined below) is disposed of, all or a portion of the "additional depreciation" will be treated as ordinary income. Except for certain involuntary conversions referred to in section 1231, the balance of gain, if any, is to be combined in Part VII with gains and losses from section 1231 property.

Section 1250 property is depreciable real property other than section 1245 property.

See section 1250(d) for exceptions and limitations involving: (a) disposition by gift, (b) certain tax-free transactions, (c) like kind exchanges, involuntary conversions, (d) sales or exchanges to effectuate FCC policies and exchanges to comply with SEC orders, (e) disposition of qualified low-income housing, and (f) transfers to tax-exempt organization where property will be used in unrelated business.

Columns i and j, additional depreciation.—In the case of section 1250 property held one year or less, additional depreciation is the total amount of depreciation claimed. In such case, omit columns i thru o and enter in column p the lesser of the amount of gain (column h) or the total amount of depreciation claimed (column f).

For property held more than one year, additional depreciation is the excess of actual depreciation attributable to periods after December 31, 1963, over depreciation computed for the same period using the straight line method. Enter in column i the additional depreciation for the period after December 31, 1963, and before January 1, 1970, and in column j the additional depreciation for the period after December 31, 1969.

For additional depreciation attributable to rehabilitation expenditures, see section 1250 (b)(4).

Column l, applicable percentage.—Enter 100% of column k in column l except as follows:

(1) In the case of section 1250 property disposed of pursuant to a written contract that was, on July 24, 1969 and at all times thereafter, binding on the owner of the property, the applicable percentage is 100% minus 1 percentage point for each full month the property was held after the date it was held 20 full months;

(2) In the case of section 1250 property constructed, reconstructed, or acquired by the taxpayer before January 1, 1976, with respect to which a mortgage is insured under section 221(d)(3) or 236 of the National Housing Act, or housing is financed or assisted by direct loan or tax abatement under similar provisions of the State or local laws, and with respect to which the owner is subject to the restrictions described in section 1039(b)(1)(B), the applicable percentage is 100% minus 1 percentage point for each full month the property was held after the date it was held 20 full months;

(3) In the case of residential rental property (as defined in section 167(j)(2)(B)) other than that covered by (1) and (2) above, the applicable percentage is 100% minus 1 percentage point for each full month the property was held after the date it was held 100 full months; and

(4) In the case of section 1250 property for which a depreciation deduction for rehabilitation expenditures was allowed under section 167(k), the applicable percentage is 100% minus 1 percentage point for each full month in excess of 100 full months after the date on which the property was placed in service.

Column o, applicable percentage.—The applicable percentage is 100% minus 1 percentage point for each full month the property was held after the date it was held 20 full months.

PART VII

Sale or exchange of property used in trade or business and involuntary conversion. (Section 1231).—Section 1231 provides special treatment for the recognized gains and losses on the sale or exchange of "property used in the trade or business" and upon the compulsory or involuntary conversion of (1) such property and (2) capital assets held more than six months.

Note: Refer to page 3 for rules for involuntary conversions resulting from casualty or theft.

After determining in Parts V and VI how much of the total gain from disposition of depreciable property is ordinary gain, combine the total other gain with other gains and losses from section 1231 property to determine if there is a net gain or net loss. The total shown on line 39 determines whether the items reflected therein represent a long-term capital gain or an ordinary loss. This total must be entered on line 4 or line 28, whichever is applicable.

In determining whether gains exceed losses, include the gains and losses to the extent they would be included if they were all ordinary gains and losses. The limitation of section 1211 on the deductibility of capital losses does not apply.

Section 817(a) provides that in applying section 1231(a), the term "property used in the trade or business" shall be treated as including only (1) property used in carrying on an insurance business, which is subject to depreciation provided in section 167 and held for more than 6 months (including real property but excluding (a) inventoriable property or property held primarily for sale to customers, and (b) certain copyrights; literary, musical or artistic compositions; letters or memorandums; or similar property); and (2) timber, coal, and domestic iron ore to which section 631 applies.

The total shown on line 39, page 2, determines whether the items reflected therein represent a long-term capital gain or an ordinary loss. In either case, after the initial determination, the items must be segregated into (1) assets held on December 31, 1958, where the F.M.V. exceeded the adjusted basis on that date, and (2) other. Enter the totals into the appropriate schedules of Part I or Part IV.

Line 38.—Enter each section 1231 item not carried over from line 32.

Line 39.—Enter the net gain or loss of the section 1231 items described in Part VII.

Minimum tax on tax preference items.—If the net long-term capital gain exceeds the net short-term capital loss, you may be liable for minimum tax. See Form 4626.

Members of a controlled group under section 1561.—For members of a controlled group, the \$50,000 surtax exemption is to be divided equally unless the group consents to split up the exemption in accordance with an apportionment plan. Accordingly, for purposes of lines 18 and 20, members of a controlled group will enter one-half of their surtax exemption on line 18 and the remaining one-half on line 20. For example, if there are 5 members and they allocate the \$50,000 surtax exemption equally (i.e. \$10,000 each), each member will enter on line 18, one-half of \$10,000, i.e. \$5,000, and on line 20, the remaining one-half of the surtax exemption, i.e. \$5,000. See section 1561 and the regulations thereunder for the time and manner of making the consent.